

Message Text

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ACTION SS-25

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S E C R E T ATHENS 8002

EXDIS

E.O. 11652: GDS

TAGS: MASS EAID GR US

SUBJECT: U.S. ECONOMIC ASSISTANCE TO GREECE

REF: A. STATE 244265; B. ATHENS 7927

1. CHARGE AND ECONOMIC COUNSELOR CONVEYED POINTS IN PARAGRAPH FIVE OF REFTEL TO COORDINATION MINISTER PAPALIGOURAS ON OCTOBER 17. (THE NUMBERS WERE ALREADY FAMILIAR TO PAPALIGOURAS FROM THE BITSIOS-STEARN'S DISCUSSION OF OCTOBER 15.) PAPALIGOURAS EXPRESSED RENEWED APPRECIATION FOR USG EFFORTS TO ASSIST GREECE. NEVERTHELESS, GOG REMAINED GRAVELY CONCERNED ABOUT THE LEVEL OF ASSISTANCE PROPOSED, AND URGED THAT THE U.S. CONSIDER RAISING THE SUPPORTING ASSISTANCE LOAN TO \$100 MILLION. CHARGE AND COUNSELOR EMPHASIZED THAT CONGRESS WAS NOT REPEAT NOT IN A SPENDING MOOD, AND THAT ANY ADMINISTRATION REQUEST FOR SUCH ASSISTANCE WOULD REQUIRE SIGNIFICANT ADDITIONAL JUSTIFICATION, WHICH WE HOPED THE GOG COULD PROVIDE. PAPALIGOURAS REPLIED THAT BALANCE OF PAYMENTS AND GNP FORECASTS FOR 1976 WERE CURRENTLY BEING DRAWN UP, AND HE PROMISED US DETAILED FIGURES AND A MEMORANDUM OF JUSTIFICATION BY THE END OF NEXT WEEK (WHICH WE WILL DISPATCH TO DEPARTMENT AS SOON AS RECEIVED).

2. PAPALIGOURAS ASKED WHETHER THE PROPOSED USG TEAM OF EXPERTS COULD BE SENT TO ATHENS AS SOON AS POSSIBLE TO DISCUSS THESE DATA; THE LEVEL OF THE EXPERTS WAS OF NO CONCERN, SINCE HE ENVISIONS TECHNICAL DISCUSSIONS. WE NOTED

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THAT THE FORTHCOMING EXIMBANK MISSION OF EXECUTIVE VICE

PRESIDENT TUTINO WAS SCHEDULED FOR NOVEMBER 6 TO 11, AND EXPRESSED DOUBT WHETHER AN AID MISSION COULD BE SENT BEFORE THAT TIME; WE AGREED TO AIM FOR THE SECOND WEEK OF NOVEMBER FOR AN AID EXPERTS' MISSION, ALTHOUGH PAPALIGOURAS WOULD OBVIOUSLY PREFER AN EARLIER DATE.

3. DURING COURSE OF DISCUSSION, THE FOLLOWING POINTS EMERGED AS BACKGROUND FOR GOG'S CONTINUING CONCERN ABOUT EXTERNAL ASSISTANCE LEVEL:

A. PAPALIGOURAS STATED THAT HE HAD READ WITH GREAT CARE SECRETARY KISSINGER'S UNSS SPEECH, WHICH HAD BEEN CONVEYED TO HIM BY THE AMBASSADOR, AND THAT HE THOUGHT IT WAS AN IMPRESSIVE AND SIGNIFICANT INITIATIVE, VIEWED IN A WORLD-WIDE CONTEXT. HOWEVER, HE WAS STRUCK THAT THE PROPOSED REMEDIAL MEASURES DO NOT SEEM TO APPLY TO THE RELATIVELY FEW COUNTRIES, SUCH AS GREECE, WHICH "LOOK PROSPEROUS BUT ARE ACTUALLY IN A SOCIAL AND POLITICAL CRISIS." GREECE HAS PARTICULAR SHORT- AND MEDIUM-TERM ECONOMIC/SOCIAL PROBLEMS, AND THE POLITICAL PRICE OF FAILURE TO RESOLVE THESE IS HIGH.

B. THE 1975 BALANCE OF PAYMENTS IS ADMITTEDLY TURNING OUT LESS UNFAVORABLY THAN ORIGINALLY ANTICIPATED. THANKS TO STRONG EXPORTS AND TOURISM, A HIGHER NET INFLOW OF FOREIGN CAPITAL, AND A LARGE VOLUME OF COMMERCIAL CREDITS, OFFICIAL BORROWING TO CLOSE THE GAP MAY TURN OUT TO BE \$500/600 MILLION, RATHER THAN THE \$700/800 MILLION ORIGINALLY FORECAST BY THE GOVERNMENT. NEVERTHELESS, IT SHOULD BE NOTED THAT FOREIGN BORROWING OF THIS MAGNITUDE WAS REQUIRED ONLY TO MAINTAIN FOREIGN EXCHANGE RESERVES AT THE MINIMUM LEVEL OF TWO MONTHS' IMPORT REQUIREMENTS, AND THE GOG WAS GRAVELY CONCERNED ABOUT POSSIBLE CONSTRAINTS TO DOMESTIC ECONOMIC AND SOCIAL POLICIES WHICH COULD BE IMPOSED BY FUTURE BALANCE OF PAYMENTS DEVELOPMENTS.

C. THE 1976 BALANCE OF PAYMENTS PICTURE WAS CLOUDED BY (1) AN ADDITIONAL BURDEN OF \$70 MILLION DUE TO THE LATEST OIL PRICE RISE; (2) THE EFFECTS OF CONTINUING EUROPEAN INFLATION ON GREECE'S IMPORT BILL; (3) DOUBTS ABOUT AGRICULTURAL EXPORTS; (4) UNCERTAINTIES IN SHIPPING
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RECEIPTS AND EMIGRANT REMITTANCES. THE GOG WILL ATTEMPT TO QUANTIFY THESE AND OTHER FACTORS IN THE MATERIAL IT IS DEVELOPING FOR PRESENTATION TO USG NEXT WEEK.

D. PAPALIGOURAS NOTED THAT GREECE'S MASSIVE EXTERNAL BORROWING OF RECENT YEARS WAS ON RELATIVELY SHORT REPAYMENT TERMS, AND HE FEARED THIS COULD NOT CONTINUE. IT DIDN'T LOOK AS IF THE IMF OIL FACILITY--FROM WHICH GREECE WILL

HAVE DRAWN A TOTAL OF ABOUT \$250 MILLION IN 1974 AND 1975--
WOULD BE AVAILABLE IN 1976, WHILE GOG CONVERSATIONS WITH
OECD SECRETARY GENERAL VAN LENNEP DID NOT BRING OPTIMISM
THAT THE OECD SAFETY NET WOULD BE AVAILABLE NEXT YEAR AS
A REPLACEMENT. GIVEN THE LIMITED AVAILABILITY OF
MULTILATERAL AND OTHER BILATERAL FINANCIAL ASSISTANCE, THE
GOG WAS LOOKING TO THE U.S. FOR SUPPORT OVER THE COMING
CRITICAL PERIOD.
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